



Hon. Robert T. Matsui

Member of Congress

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Robert T. Matsui

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MATSUI, RANGEL LETTER TO PRESIDENT REGARDING SOCIAL SECURITY

WASHINGTON, D.C. -- Congressman Robert T. Matsui, Ranking Member of the Social Security Subcommittee of the Ways and Means Committee, and Congressman Charles Rangel, Ranking Member of the Ways and Means Committee sent the attached letter today to President Bush raising the following concerns regarding the Social Security chapter of the Economic Report of the President:

- The report asserts that one goal of Social Security reform is to cut benefits;
- The report admits that any benefit of "advanced funding" Social Security does not occur for 75 years;
- The report shows a huge increase in public debt as a result of privatization; and
- The report's suggestion that Social Security reform restore solvency without the use of general revenues again begs the question of how you pay for privatization without large benefit cuts and tax increases.

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February 23, 2004

The President
The White House
Washington, D.C. 20500

Dear Mr. President

As you know, we have grave concerns with several aspects of your recently-released *Economic Report of the President*, including the unrealistic projection of job growth in the coming year and the disregard for the impact of outsourcing on American workers, among others. But today, we are writing with regard to the Social Security chapter of the report. This chapter highlights a number of fundamental problems with the privatization of Social Security, as well as several contradictions regarding your plans to finance such a proposal.

First, the report clearly states that two principal goals for Social Security reform are cutting Social Security benefits and creating private accounts. Yet cutting benefits is not included among the five principles you have laid out for reform, which is the most detailed information you have made available on your plans for Social Security thus far. Is it correct, as stated in the report, that a key objective of your Social Security reform will be to cut Social Security benefits?

Second, the report further reveals that "much of the benefit of advanced funding...occurs outside of the 75-year projection period." In other words, privatization is a reform whose alleged benefits won't be felt until after everyone now paying into the system is dead.

Third, your report presents the effects on public debt of Model 2, as developed by your Social Security commission. The analysis shows a breathtaking increase in the public debt, reaching a peak increase of 24 percent of GDP. Privatization would cause the level of federal debt to be higher for nearly 60 years. This is the same period during which the federal budget -- and our entire economy -- will already be challenged by the need to finance retirement and health benefits for a larger aged population. Whether the transition costs are borrowed, or financed by tax increases or spending cuts, privatization will impose an additional, substantial, and lengthy strain on the federal budget at the time that other commitments must be met.

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Last, your report says, "The only desirable way to restore solvency is to do so without continued reliance on general revenues." However, the plan analyzed in the report requires extensive and costly general revenue transfers, lasting for more than 30 years. This is inconsistent with your stated desire to avoid reliance on general revenues, and it highlights the fact that the diversion of Trust Fund monies to personal accounts creates a *new* deficit in the Trust Fund. Funds must be found to fill this deficit in order to be able to continue paying promised benefits to current beneficiaries and near-retirees. In order to lessen the reliance on general revenues you could reduce benefits to current and near retirees. Alternatively, you could propose an increase in Social Security taxes as a substitute for the required general revenues. What is your intention?

These issues all point to the fundamental problem. While you have advocated Social Security privatization for nearly four years now, you have not provided a specific plan for executing your vision. Privatization has many risks and tradeoffs, but the debate so far has done little to illuminate them. The only way for the American public to understand the tradeoffs involved in privatizing Social Security is for you to propose a specific plan. Only then can the nation make an informed choice about whether to pursue this path for Social Security.

I look forward to receiving your specific proposal and your plans for financing it.

Sincerely,

The image shows two handwritten signatures in black ink. The signature on the left is 'Charles B. Rangel' and the signature on the right is 'Robert T. Matsui'. Both signatures are written in a cursive, flowing style.

Charles B. Rangel
Ranking Democrat

Robert T. Matsui
Ranking Democrat
Subcommittee on Social Security